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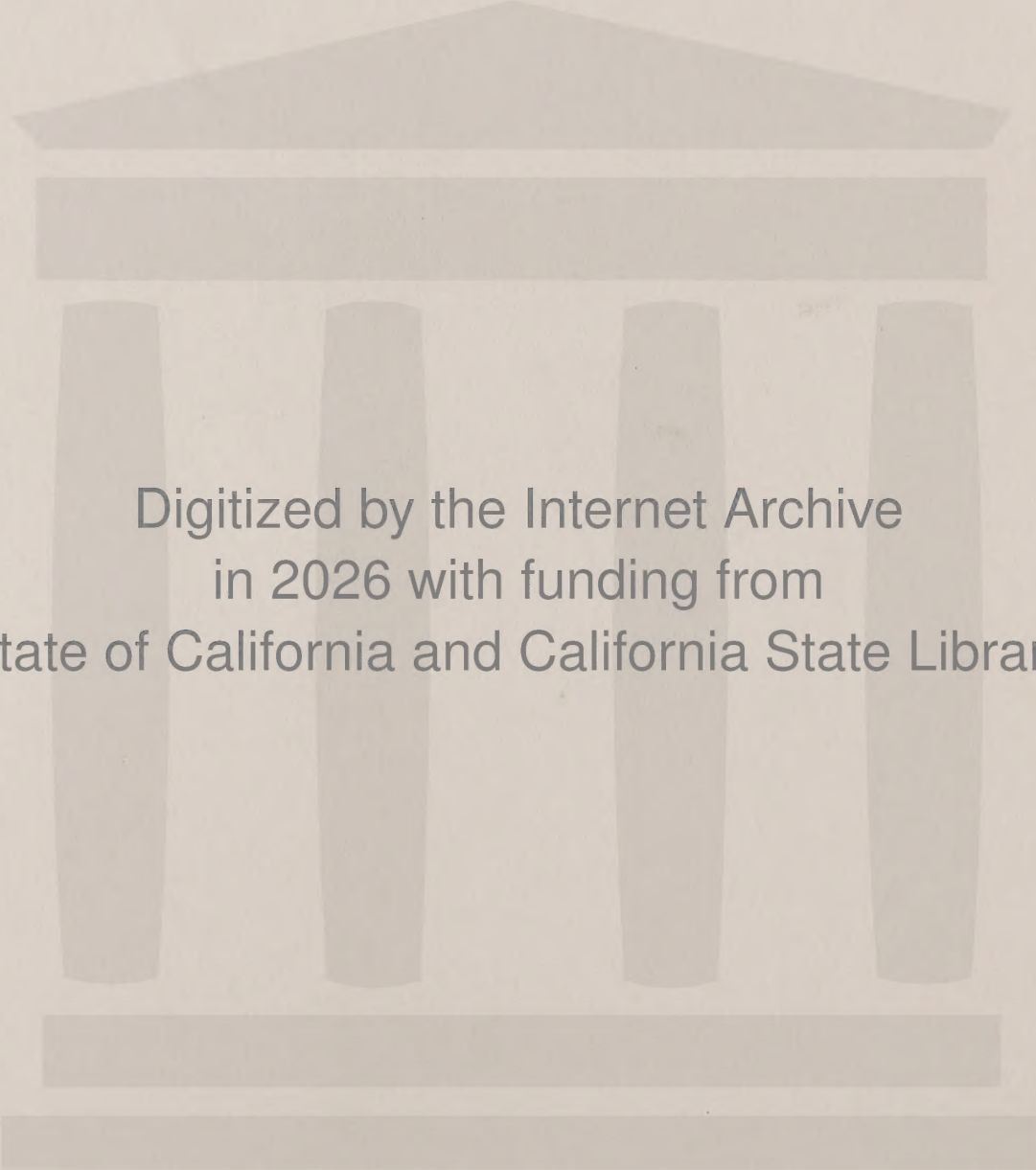
THE LOS ANGELES CITY ETHICS COMMISSION 1994 REPORT



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December, 1994

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TREESA WAY DRURY, VICE PRESIDENT

EVE FISHER

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December, 1994

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CITY OF LOS ANGELES
CALIFORNIA

CITY ETHICS COMMISSION



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December 1994

The Honorable Richard Riordan, Mayor
and Honorable Members of the
City Council of the City of
Los Angeles

I am pleased to submit for your information the first report of the City Ethics Commission as required by Los Angeles City Charter Section 600 K. The *1994 Report of the City Ethics Commission* provides a history of the formation of the Ethics Commission, an overview of the programs it administers, and an analysis of their effectiveness.

In recent years, government agencies and civil servants have been open targets for negative media attention. Government scandals continue to find their way into the headlines, and such incidents here in Los Angeles led to the creation of the Ethics Commission. Our experience however, tells us that it is wrong to assume that most government officials are motivated by self-interest. I am pleased to report that our experience shows that City employees are hard-working individuals who take great pride in public service.

In just four years, the Ethics Commission has evolved from an idea proposed by the Cowan Commission into one of the country's leading governmental ethics agencies. The Commission and its staff have worked hard to achieve the mandate set forth by Proposition H. The Commission has successfully assumed responsibility for such programs as the lobbyist registration and the campaign disclosure programs, and has effectively developed and implemented an ambitious matching funds program.

Today, Los Angeles has the most rigorous governmental ethics laws of any city in the nation. These laws however, would be meaningless without a deliberate and resolute Ethics Commission to administer them. Through education and enforcement, the Commission will continue its work for a clean and open City government.

Respectfully,

Dennis E. Curtis
President
City Ethics Commission



INTRODUCTION

In June 1990, the voters of Los Angeles made their voices heard loud and clear on the issue of governmental ethics. They did not want business as usual in City Hall. They wanted change.

The voters wanted to fundamentally change how City political campaigns are financed. They wanted their elected officials and government employees regulated by strong ethics rules. They demanded more disclosure about how government decisions are influenced and made.

By a margin of 56 to 44 percent the voters approved Proposition H which created a strong City Ethics Commission to accomplish these tasks. The battle for reform has not been an easy one. Opponents of change have attempted to derail the work of the Ethics Commission through litigation, delay, and obstruction.

The Commission, nonetheless, has succeeded. Under the leadership of USC Law Professor Dennis Curtis, the five member Commission has effectively adhered to the goals and objectives embodied in Proposition H.

In the past four years the Commission has:

- At the City Council's request, streamlined and strengthened a 25 year old law which regulated lobbyists. It will provide more meaningful information to the public about the financial relationships between lobbyists and the City officials they attempt to influence.
- Effectively developed and administered a public matching funds program which made the City's 1993 elections more competitive, reduced candidates dependence on special interests and helped to provide voters with real choices between candidates.
- Uncovered five cases of political money laundering and fined violators over \$700,000.

- Strengthened the conflict of interest disclosure laws.
- Trained hundreds of City employees about their responsibilities under the Ethics ordinance.
- Audited more than 70 committees in connection with candidates' campaigns for elective City office.
- Increased the frequency and scope of reporting requirements for officeholder accounts.

The work of the Commission is far from over. Each day brings new challenges. The Commission remains dedicated to fulfilling the voters' mandate stated in the Los Angeles Governmental Ethics Ordinance:

"To assure that the government is respected for its honesty and integrity; that its decisions are made on the merits, untainted by any consideration of private gain; that its officials are governed by clear and complete rules; and that all people are encouraged to participate in the electoral process through the use of public matching funds."

Benjamin Bycel
Executive Director

HISTORY OF THE COMMISSION

On April 8, 1989, Los Angeles Mayor Tom Bradley announced the establishment of a citizen commission to write a new code of ethics for the City of Los Angeles. The members of the Commission were:

Geoffrey Cowan, Chairman
Former Chairman of California Common Cause
Rabbi Allen I. Freehling
Senior Rabbi, University Synagogue
Antonia Hernandez
President and General Counsel, Mexican-American
Legal Defense and Education Fund
Cardinal Roger Mahoney
Archbishop of Los Angeles
Margaret M. Morrow
Attorney
Gilbert T. Ray
Attorney
Judge Delbert E. Wong
Los Angeles Superior Court, Retired

One month later, the Commission held its first meeting and announced that it intended to operate as an independent organization without City staffing or financing. The Commission adopted a mission statement, solicited and received funding from private institutions, and hired a professional staff. While the formal name of the new group was the Commission to Draft an Ethics Code for Los Angeles City Government, it became known as the Cowan Commission.

During the next eight months the Commission members, consultants, and staff organized into task forces to examine specific issues. The task forces developed a series of recommendations which were adopted by the Cowan Commission and presented for public comment during twelve public hearings held throughout the City.

During November 1989, the Cowan Commission presented

its final report and recommendations to Mayor Bradley and the City Council.

The report discussed 30 specific recommendations that the Commission believed should be codified into law. The Commission incorporated many of the recommendations into a draft ordinance for the Council and Mayor to consider.

In January 1990, after a series of public hearings, the Governmental Ethics Ad Hoc Committee forwarded the majority of the recommendations to the full City Council for its consideration. Among the recommendations of the Cowan Commission not included in the Governmental Ad Hoc Committee's recommendation were a protected budget and in-house legal counsel for the new Ethics Commission.

After debate, the City Council passed a package of ethics and campaign finance laws consisting of a Charter amendment and two ordinances. The Charter amendment, Proposition H, was placed on the June 1990 municipal ballot for approval by the voters of the City. The two ordinances amending the Municipal Code were only to go into effect if the Charter amendment was approved by the voters.

In the June 1990 election, 57 percent of City voters voted to approve Charter Amendment H. The Governmental Ethics Ordinance took effect in January 1991 and the Campaign Finance Ordinance took effect in July 1991.

Proposition H created an "independent" Ethics Commission and a system of partial public financing to support campaigns for elective City office as recommended by the Cowan Commission. In addition, the Council added a provision to the Charter Amendment that raised the salary of elected City officials by 40 percent and banned outside income for elected officials.

The two ordinances became known as the governmental ethics ordinance and the campaign finance ordinance. The governmental ethics ordinance contained comprehensive financial disclosure requirements, gift and travel restrictions, post-employment lobbying regulations, and other conflict of interest provisions for top City officials. The campaign finance ordinance outlined the public matching funds program and contained other provisions

related to officeholder and legal defense accounts controlled by elected officials.

In September 1990, the five new Ethics Commissioners were appointed: two by the Mayor (including the president of the Commission), and one each by the Controller, the City Attorney and the President of the City Council. University of Southern California Law Professor Dennis E. Curtis was named as the first Chair of the City Ethics Commission.

Members of the City Ethics Commission 1994

Dennis E. Curtis, President	1990 - present
Treesa Way Drury, Vice-President	1990 - present
Edwin O. Guthman	1990 - present
Eve Fisher	1994
Ann Petroni	1994

Past Members of the City Ethics Commission

Dr. Cynthia Ann Telles	1990 - 1994
William K. Mills, Jr.	1991 - 1993
Alice Walker Duff	1990 - 1991

From September 1990 to February 1991, the new Commission worked to hire an Executive Director, clarify the new laws, and establish the Commission offices.

In February 1991, the Commission named Walter Zelman as the first Executive Director. In a matter of weeks Zelman resigned after the City Council refused to pay the salary negotiated by the Commission with Zelman. The Commission re-opened its search for an Executive Director, and in April 1991 attorney-educator Benjamin Bycel accepted the position.

Bycel currently heads a staff of 16 full-time employees who implement and administer the policies established by the Commission.

CAMPAIGN FINANCE PROGRAM

One of the paramount duties of the City Ethics Commission is to administer and enforce all City laws relating to the financing of campaigns for elective City office. With the passage of Proposition H, the Commission became responsible for administering a system of partial public financing of campaigns for City office. The Commission also conducts mandatory training programs for candidates and their treasurers, audits candidates' committees, and maintains the disclosure reports filed by candidates and political committees.

The Matching Funds Program

Program Overview

At a time when spending on political campaigns continues to skyrocket and the image of government and of elected officials is low, a central goal of the City's campaign finance program is to restore public confidence in government and the electoral process. In conjunction with the other components of the City's campaign finance program, the matching funds program aims to 1) provide for more competitive elections by giving voters a real choice between candidates; 2) reduce the influence of special interests; and 3) reduce campaign spending.

Proposition H requires the City to set aside \$2 million every year to the City's Matching Campaign Funds Trust Fund up to a total of \$8 million. The money is used to match contributions from individuals to candidates who have demonstrated their viability and agree to limit use of their personal funds and their overall spending.

To qualify for matching funds, candidate must meet each of the following tests:

- demonstrate his or her viability by raising a predetermined amount of funds in small contributions (amounts vary by office sought);

- raise a qualifying threshold of funds within the established fund raising period;
- be opposed by another viable candidate;
- agree to limit the use of personal funds; and
- agree to abide by expenditure limits.

The matching funds program withstood an early court challenge prior to its implementation. In *Bernardi v. City Ethics Commission*, the California Supreme Court ruled that the Los Angeles matching funds program did not violate the state ban on public financing of elections which was enacted by the passage of Proposition 73. As a charter city, the Court ruled, Los Angeles may establish its own election laws which are not subject to state review.

Program Implementation

The April 1993 municipal elections were the first elections conducted in which candidates had an opportunity to participate in the matching funds program. These elections were significant for a number of reasons -- not the least of which was an open race for the Mayor's office for the first time in 20 years. In addition to the Mayor's race, two Council seats were also open, and six other Councilmembers, the City Attorney, and the Controller were seeking re-election. The number of people interested in running for City office was unusually high. In the Mayor's race alone, 52 people filed declarations of intent to appear on the ballot -- 25 of them eventually collected enough signatures to qualify.

During the 1993 municipal elections, 28 candidates qualified for and received public matching funds: 7 mayoral candidates and 21 council candidates. A total of \$4,824,799 in matching funds was disbursed to these participants -- \$3,059,999 (63% of the total) to mayoral candidates and \$1,764,805 (37%) to council candidates.

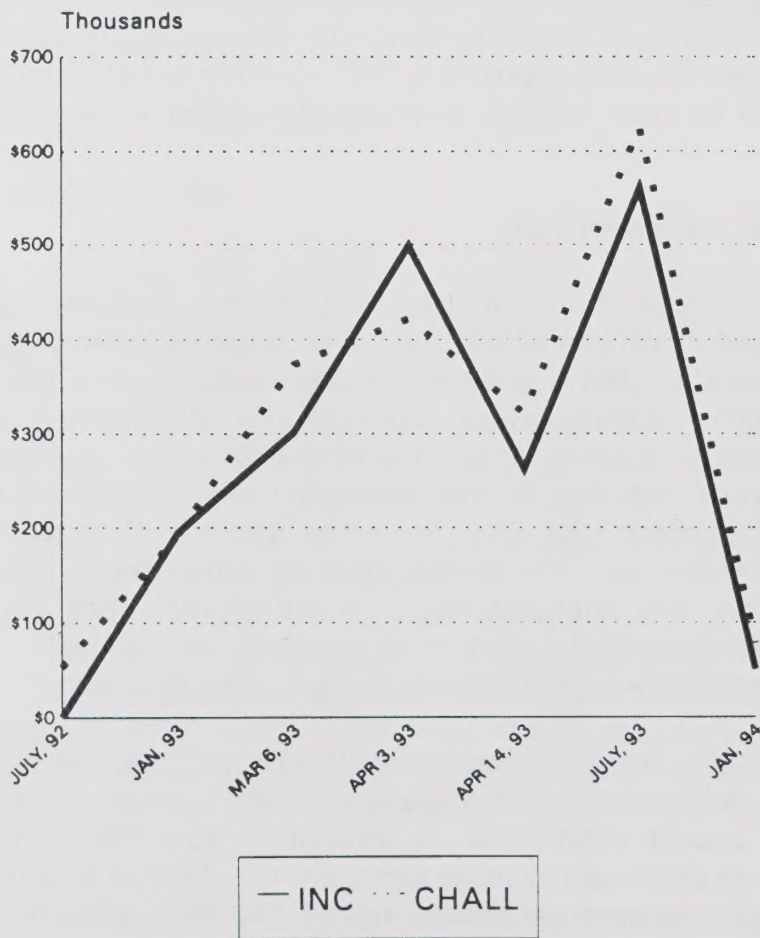
An evaluation of the impact of the matching funds program in the 1993 election revealed that the program resulted in more competitive elections. Many more challengers were able to gain

visibility and raise a significant amount of money than had been the case in the past. In addition, the program increased the importance of small contributions and contributions from individuals. During past elections, fundraising by incumbents significantly outpaced that of their challengers. With the matching funds program in place for the 1993 elections, however, fundraising by challengers and incumbents was about even.

FUNDRAISING PATTERNS, 1993

CITY COUNCIL CANDIDATES ONLY

INCLUDES MATCHING FUNDS



Mandatory Campaign Disclosure Program

Regardless of whether a candidate for City office in Los

Angeles is participating in the matching funds program, state law requires these candidates and their political committees to file public disclosure reports with the Ethics Commission. These reports detail committees' contributions, expenditures, and other pertinent information. Currently, approximately 150 committees file regular disclosure reports with the Commission.

Commission staff review the statements to determine whether committees are filing reports in compliance with state and City disclosure laws and ensure that the statements are available to the public. During elections, the Commission also provides summary information about contributions and expenditures reported by City candidates to members of the public and the media.

Mandatory Campaign Audits

Commission staff are also responsible for auditing the committees of candidates seeking elective City office. These audits determine a committee's degree of compliance with campaign finance and disclosure provisions in City law and the provisions of the Political Reform Act of 1974, as amended. These audits also provide a meaningful public record of the committee's compliance with applicable laws.

For the 1991 election, audits were required of all candidates who raised or spent \$15,000 or more in connection with their primary, general or special election campaign, and a random 25 percent of those candidates who raised or spent less than \$15,000. Beginning with the 1993 City elections, audits are required of all candidates who raise or spend \$30,000 on their campaign, and 20 percent of those candidates who raise or spend less than \$30,000. Audits are performed on all committees controlled by the candidates.

Commission auditors completed audits of 60 controlled committees of 33 candidates for the 1991 election cycle, and will audit 95 controlled committees of 45 candidates in connection with the 1993 election. Of the audits conducted for the 1991 cycle, auditors concluded that 47 committees substantially complied with applicable laws and that eight committees did not substantially comply. Auditors were unable to give any opinion in five other cases due to the candidate's failure to provide the

required documentation. Upon their completion, audit reports are routinely referred to the Commission's Enforcement Division, Office of the City Attorney and the Fair Political Practices Commission for any enforcement action that those offices may deem appropriate.

Officeholder Accounts

After enacting regulations for the implementation of the Matching Funds Program, the Commission began an exhaustive review of the laws regulating **officeholder and legal expense accounts**. Officeholder accounts were created as part of a legislative compromise when the City Council adopted the Cowan Commission recommendation to limit fund raising for City campaigns to an 18-month (Council) and 24-month (Citywide) period before the election. The establishment of these campaign fundraising windows put an end to continual campaign fundraising. As a result, for elected officials, the use of campaign funds to help defray and supplement the expenses of holding office was no longer a practical option. The campaign finance ordinance therefore, allowed elected officials to establish "officeholder accounts" and to use those accounts for political, legislative or educational purposes but *not* in connection with campaigns for City office.

At the same time, the need for the Commission's review of the officeholder account rules was underscored by complaints it had received that the ordinance was unclear and that officeholders were using the accounts for campaign purposes. As a result of the review, the Commission proposed amendments to the campaign finance ordinance and drafted regulations providing for greater disclosure of officeholder expenditures. In late November of 1994, the City Council approved ordinances adopting the amendments and regulations pertaining to officeholder accounts.

Passage of these ordinances will effectively respond to the legitimate needs of City officeholders to supplement their City budgets to better serve their constituents. At the same time, it will set clear standards for how these accounts can be used and will establish more timely public disclosure of the sources of these funds and how they are spent.

GOVERNMENTAL ETHICS

Introduction

The Ethics Commission is charged with administering, enforcing, and interpreting the most comprehensive set of governmental ethics rules in the country. The Commission is also required to provide training for elected officials and employees of the City on these ethics rules and ethical decision-making. The City's Governmental Ethics Ordinance overlays and strengthens already existing state financial disclosure and conflict of interest law -- most notably the Political Reform Act of 1974, as amended. However, the City's ethics ordinance also contains strict rules regarding gifts and travel, outside income, and post-employment lobbying that are not contained in state law.

Background

The Governmental Ethics Ordinance, as originally passed by the City Council in 1990, established extensive additional financial disclosure requirements for City officials. The ethics ordinance required the reporting of financial interests not previously required by the Political Reform Act -- such as financial interests held outside the City's jurisdiction -- and also required City officials to more specifically state the value of the financial interests they were required to disclose. The provisions of the Ethics Ordinance, particularly the financial disclosure requirements, became the focus of concern for several City employees and Commissioners. As a result of these concerns, members of the Ethics Commission began evaluating the ordinance to determine if amendments should be recommended to the Council.

While the newly formed Ethics Commission was reviewing and revising the ordinance, a group of City employees and commissioners subject to the new ordinance brought a lawsuit to enjoin the enforcement of its provisions. In August 1991, a Los Angeles County Superior Court judge issued an injunction prohibiting the City from enforcing many of the provisions of the new

Ethics ordinance against those that had filed the lawsuit. The Ethics Commission voluntarily suspended the implementation of the new law for all City employees except elected officials in addition to the plaintiffs in the lawsuit.

The Ethics Commission held numerous public hearings on proposed changes to the ordinance and recommended to the City Council several amendments to the Governmental Ethics Ordinance which streamlined and clarified the law and satisfied constitutional questions which had been raised. The City Council approved the proposed Ethics Commission revisions, with some amendments, in May and June of 1992. The injunction against enforcement of the law was subsequently lifted and the lawsuit settled.

Personal Financial Disclosure Program

The Political Reform Act of 1974 (PRA) states that government officials shall not participate in the making of governmental decisions when it is reasonably foreseeable that the decision may have a material effect on their financial interests. The PRA further established financial disclosure requirements for all local and state public officials who are in a position to make or influence governmental decisions which could foreseeably affect their financial interests. Such disclosure serves two purposes:

- Designated filers gain insight into their financial interests which could potentially create a conflict of interest; and
- The public has a right to know about the relevant economic interests of their public officials that could be affected by the governmental decisions they make.

The PRA requires every governmental agency to adopt a conflict of interest code which 1) designates the decision-making positions in the agency and 2) identifies the types of financial interests required to be disclosed by the public officials who hold those positions.

The disclosure requirements contained in the City's Governmental Ethics Ordinance overlay the requirements of the PRA. The local law requires elected officials, and the members and executive

director of the Ethics Commission to meet very extensive requirements and to disclose the value of their interests very specifically. The City's requirements for other City officials, however, are closely tied to their job duties and the valuation of these interests are in the same broad categories required by the PRA.

In 1994, approximately 3,500 City employees filed Statements of Economic Interests with the Commission. As the City's filing officer, Commission staff is required by law to review a random sample of the statements to ensure compliance with state law.

Review of Nominated City Commissioners

The Ethics Commission is also mandated to review the financial disclosure statements of every individual nominated to a position in any government agency where the appointment is subject to the confirmation of the City Council. The Commission reviews the nominee's statement and informs the Council of any investment, interest in real property or other sources of income that the nominee holds which the Commission determines would constitute a potential conflict of interest. With the election of a new Mayor in 1993, the Commission reviewed and made recommendations on more than 200 nominees to City boards and Commissions in less than three months.

Gifts, Travel and Honoraria Restrictions

In addition to the City's financial disclosure rules, the Governmental Ethics Ordinance also imposed new restrictions on the gifts, travel reimbursements, and outside income that a City official may accept from "restricted sources" (e.g. persons who do business with the official's agency, lobby the official, or have matters pending before the official). The purpose of these restrictions is to ensure that City decisions are being made solely with the public's interest in mind and that City officials are not at risk of being subtly influenced by gifts or other financial relationships they may have with persons they regulate.

The Ethics Ordinance defines the term "restricted source" to which the gift and travel restrictions apply. Such restricted

sources are persons with business pending before the City or who are seeking to influence a City action. Honoraria and outside earned income for elected officials is prohibited. Honoraria and outside income for all other City officials requires the prior written approval of an official's appointing authority.

Revolving Door

After leaving City service, many City employees and Commissioners in decision-making positions are prohibited from lobbying their former agency for one year. The one year "cooling off" period is intended to insure that formerly high-ranking officials cannot trade on the relationships and confidential information they had access to during their City service.

For those City officials who are identified as "high level officials," the one year lobbying restriction applies to any City agency. In addition, every City official has a lifetime prohibition on lobbying on any matter before any City agency in which he or she was "personally and substantially involved" during City service.

Training

The Commission staff conducts training sessions for departmental filing officers and other City employees covered by the ethics ordinance. To date, the Commission has conducted ethics and financial disclosure training for several elected officials and their staffs, management staff of the Department of Water and Power, the Community Redevelopment Agency, and specialized workshops for a number of other City departments. The staff is also available, by telephone, to answer questions about financial disclosure and the other ethics requirements.

LOBBYIST REGISTRATION AND DISCLOSURE PROGRAM

Background

Since Los Angeles first adopted a municipal lobbying ordinance in 1967, the City's lobbyist registration and disclosure program was administered by the Office of the City Clerk. After passage of Proposition H in 1990, however, the Ethics Commission assumed responsibility for administration and enforcement of the lobbyist registration and disclosure law. During 1992 -- the first full calendar year in which the Commission administered the program -- 356 lobbyists were registered. That year, these lobbyists reported a total of \$6,162,268 in lobbying compensation from their clients and \$153,906 in lobbying expenditures. On average, 164 lobbyists reported no compensation in any given quarter.

Commission Reports

Since it assumed administration of the lobbying program, the Commission has issued a public report each calendar quarter that summarizes the earnings and expenses of the lobbyists registered with the City. These quarterly reports are sent to the Mayor and City Council. They are designed to provide meaningful information to the public about who had business with the City during the previous quarter, who they hired to lobby for their interests, and how much they spent on such representation. These reports list all lobbying clients and provide a narrative summary that highlights key projects for which top-earning lobbyists were hired to lobby. During candidate campaign reporting periods, lobbyist campaign contributions have also been included as a part of the report.

New City Law

At the request of the City Council, the Commission began a series of public hearings in 1991 to address possible changes to the lobbying law. The 1967 ordinance contained several weak-

nesses: it required registration and reporting by all lobbyists regardless of their earnings; it lacked a clear definition of lobbying and what disclosures were required; and it had no clear enforcement remedies. The hearings conducted by the Commission sought to correct these and other shortcomings by drafting a new, more comprehensive lobbyist registration and disclosure ordinance.

In June 1992, after a lengthy series of public hearings and a review of other jurisdictions' lobbying laws, the Commission recommended comprehensive changes to the City Council which sought to streamline and strengthen current law and provide for more effective enforcement. While the Ethics Commission proposed a \$1,000 per calendar quarter threshold to trigger registration and reporting requirements for persons lobbying the City, the City Council adopted a \$4,000 per quarter compensation test to determine who qualifies as a lobbyist. Significantly, the creation of a compensation threshold lifted the administrative burden of the 1967 ordinance for part-time lobbyists, while ensuring more in-depth reporting from those lobbyists who wield significant resources to influence decisions in City Hall. On April 28, 1994, the City Council's Rules and Elections Committee forwarded the draft ordinance to the City Council and on June 28, 1994, the City Council approved the new law by a vote of 14 to 0.

The new ordinance, which became effective August 10, 1994, significantly revised the old lobbying ordinance. Among the notable changes implemented by the new ordinance are:

- expansion of the lobbying regulations to include lobbying firms, lobbyist employers, administrative clients and major filers;
- broadened reporting requirements to specifically include lobbying activities related to administrative proceedings;
- establishment of penalties for late filing of registrations or quarterly reports;
- explicit authorization for the Ethics Commission to audit the records of lobbyists and lobbying firms to ensure compliance;
- required disclosure of certain grass roots lobbying activity.

OPINIONS AND ADVICE

The Commission provides three levels of advice concerning the ordinances and regulations under its jurisdiction. **Opinions** are issued for questions involving a general interpretation of City laws. **Formal written advice** is provided upon written request for questions regarding how or whether a specific action or set of circumstances is subject to City laws. **Informal assistance** is offered regarding the general application of such laws and may not be based on specific circumstances.

Opinions

Procedure

Opinions may be requested by any person whose "duties under the City Charter or any City ordinance relating to campaign finance, conflicts of interest or governmental ethics are in question or by that person's authorized representative."

When a request for an opinion is accepted by the Executive Director, the Commission staff drafts an opinion and the Commission conducts a public hearing on the matter. At the public hearing, oral and written public testimony is presented, as well as any recommendation by the City Attorney, the person making the request, or any other interested party.

Summary of Opinions Issued

To date, the Commission has issued three opinions. These decisions are summarized below.

In the Matter of: Opinion Requested by: Robert M. Dohrmann, Robert D. Duncan, and Grace Harper CEC Opinion 92-001. On May 15, 1993, the Commission issued its first opinion clarifying the term "body" as used in LAMC §§ 49.5.10 A and 49.5.12. In regard to these sections, the Commission ruled that the term "body" applies only to the City Council, a board, commission or committee, not to the staff of any

such body, or to a City department, bureau or office.

In the Matter of: Opinion Requested by: Jerry Margaret Simmons CEC Opinion 92-002. The Commission ruled on October 9, 1992, that City Charter § 312 C 11, which prohibited the transfer of funds from a candidate or elected City officer's campaign committee, was unenforceable. This decision came after a similar ban on transfers contained in the Political Reform Act was found to be unconstitutional in Service Employees International Union, et al. v. Fair Political Practices Commission, et al 747 F.Supp. 580 (E.D. Cal 1990).

In the Matter of: Opinion Requested by: Zev Yaroslavsky, Councilman, Fifth District CEC Opinion 92-003. On February 4, 1993, the Commission upheld the jurisdiction of Charter §§ 312 C 8, 9 and 10 to all candidates. Councilman Yaroslavsky had argued that it was the intent of the City Council when drafting the Charter amendment that these provisions should be included with Charter §§ 312 C 5 and 6 in the "wealthy candidate" provision of Charter § 312 C 12. The Commission found that the ballot arguments published at the time did not support the Councilman's position, and ruled in favor of maintaining its current interpretation of the sections by keeping all candidates subject to these limits.

Formal Written Advice

When a person has a question about how City law applies to a specific action, or what procedures must be followed to comply with the law, he or she may ask the Commission for formal written advice. Such requests are addressed to the Executive Director and must contain the name of the applicant and all material information relevant to the request. Answers to such questions are issued as advice letters.

Advice letters are drafted by Commission staff and issued after they are reviewed and approved by the Executive Director. Pursuant to Charter § 600 N 2, responses are issued within 21

working days, except for requests involving gifts which must be answered in 10 working days, pursuant to LAMC § 49.5.10 A 8.

Should the advice of the Commission prove erroneous, adherence to the advice provides the applicant with immunity from any subsequent enforcement actions. Such immunity applies only to the person or persons specifically named in the request for advice. Persons who may be a party to the request, but not so named, enjoy no such protection.

As of June 30, 1994, the Commission had issued 94 formal advice letters. Thirty-eight of these letters, more than 40 percent, were issued during 1993. This reflects the increase in activity related to the 1993 City elections. The Commission issued advice on such topics as contribution limitations, gift and travel restrictions, and lobbyist regulations. All advice letters issued by the Commission are public documents and available for review by the public and the press.

Informal Assistance

The Commission also offers informal assistance to City officials, employees and the public. Such requests, and the Commission's responses, may be given either verbally or in writing.

Informal assistance is usually offered via the telephone. The Commission has answered hundreds of such requests this year alone. Commission staff estimate that they have responded to more than three thousand such calls since October 1991. Requests for informal assistance increased significantly during the period immediately before and after the 1993 City elections.

Informal advice letters have also been issued. When a requestor declines to or is unable to provide the Commission with all material information required for formal written advice, an informal advice letter may be issued. Such letters, as with all informal assistance, do not provide immunity for the requestor. To date, 18 informal advice letters have been issued, including 15 during the election year of 1993.

EDUCATION, TRAINING AND COMMUNITY OUTREACH

The Commission has initiated a variety of educational programs to increase awareness and understanding of the laws it administers and enforces. Though staff reductions and budget restraints have affected these programs, mandated educational programs have been carried out and have had a positive impact.

Ethics Training

The Commission's staff has provided ethics trainings for the Mayor's Office, City Council offices, and various City departments. Governmental ethics training sessions have also been held for high level managers in the Community Development Department as well as for public counter staff of the Public Works/Bureau of Engineering. The purpose of the training is to provide City employees with a framework for ethical decision-making and familiarity with the City Ethics Ordinance and state conflict of interest law. Employees are encouraged to seek advice from the Ethics Commission regarding any matter about which they have question regarding how to apply the ethics rules.

Candidate Training

In the 1993 election, the Commission produced the City's first *Candidate Information Packet*. This packet contained copies of relevant City and state laws, the appropriate City and state forms for compliance with these laws, the state FPPC's "Information Manual A," and a step-by-step guide for candidates seeking elective City Office. In all, the Commission distributed more than 200 information packets to candidates, treasurers, and other interested parties.

After the filing period for the *Declaration of Intent to Become a Candidate*, the Ethics Commission sponsored four training sessions for candidates and their treasurers. All candidates and their treasurers were required to attend the training pursuant to LAMC Section 49.5.18. During the sessions, Commission staff

outlined City and state campaign finance laws regarding contribution limits, bookkeeping and accounting, campaign disclosure, and the matching funds program to more than 300 candidates, treasurers and campaign officials. Briefing materials were made available, as well as additional copies of the *Candidate Information Packet* and other relevant information.

The Commission has revised and updated the Candidate Information Packet for the 1995 campaign.

Financial Disclosure Training

As the filing officer for the City, the Commission receives more than 3,500 financial disclosure statements twice a year. Prior to each filing deadline, the Commission conducts training workshops for both the departmental filing officials and for individual filers. Filing officials are briefed on their duties, which include distribution of forms to each designated filer in their department, reminders to non-filers, maintenance of copies of disclosure forms in their department's records, and transmitting the completed documents with a list of all designated filers to the Ethics Commission. In addition, filing officers are instructed on how the forms are to be completed, and briefed on the answers to many of the most commonly asked questions.

A similar session is held for designated filers. This session gives comprehensive instructions on completing the disclosure documents as well as examples of what is and is not required to be disclosed.

Community Outreach

The Commission attempts to respond to every request by a community organization for a guest speaker. Such presentations are usually one of two types: 1) a general overview of the mission and operations of the Commission, or 2) a training session on ethical decision-making similar to the ethics trainings conducted for City departments.

To date, the "general" presentation has been requested more often than the "ethics" presentation. This type of presenta-

tion has been offered to a variety of civic organizations such as the League of California Voters, the Los Angeles Jewish Foundation, and to homeowners associations throughout the City. In addition, these sessions have been provided to UCLA, to journalism and political science classes at the University of Southern California, and to continuing education classes for City workers. Such presentations have sparked interest in the Commission and have indicated that participants support the Commission and its mission to create a more open and accessible City government.

While provided less frequently, the "ethics" presentation has usually been made to a more specialized audience. In the past, this type of presentation has been requested by professional development conferences conducted by such groups as the Mexican-American Legal Defense and Education Fund (MALDEF) and the California Association of Public Purchasing Officials (CAPPO). These presentations have addressed the basics of ethical decision-making by public officials. Models of ethical decision-making are presented, and discussions are developed using scenarios tailored to reflect those situations which may be faced by the audience in their professional environment.

INVESTIGATIONS AND ENFORCEMENT

The Commission is authorized to conduct investigations and administrative prosecutions of alleged violations of campaign finance laws, governmental ethics and lobbying laws, and conflicts of interest. Also, the Commission may impose fines of up to \$5,000 per violation.

To carry out its investigation and enforcement mandate, the Ethics Commission staff initiates investigations into alleged violations of laws, responds to complaints from City employees and members of the public, and takes action on referrals from other governmental and law-enforcement agencies.

Staff-Generated Investigations

In 1992, the Ethics Commission and the State Fair Political Practices Commission (FPPC) jointly initiated investigations into an apparently widespread problem of laundered contributions in the 1991 Los Angeles municipal elections. As a result of investigations concluded in 1993, both Commissions have, to date, charged the following respondents -- five business entities and one individual -- with laundering contributions to Los Angeles City officeholders and candidates for elective City office. In each case detailed below, the respondents reached a stipulated settlement with the Ethics Commission.

1. **In the matter of Evergreen America Corporation.** Evergreen America Corporation was charged with and admitted to contributing \$172,000 in laundered funds to City and State candidates. The Ethics Commission and the FPPC imposed and collected fines of \$447,500 each for a total fine of \$895,000. This remains the largest total fine imposed in a case of campaign-finance or governmental ethics violations in U.S. history to date.

2. **In the matter of the Los Angeles Marathon Incorporated (LAMI).** LAMI was charged with and admitted to contributing \$73,000 in laundered funds to City and state candidates.

The Ethics Commission imposed \$200,000 in total fines.

3. ***In the matter of Bell Cab Company.*** The CEC charged Bell Cab Company with 56 violations of City Charter Section 312. The CEC imposed and collected a fine of \$40,000.

4. ***In the matter of Precision Engine Volume, Inc.*** The CEC charged Precision Engine Volume with making five laundered contributions to a candidate for Los Angeles City Council. The CEC imposed and collected a fine of \$16,000.

5. ***In the matter of Borbon, Inc.*** The CEC charged Borbon, Inc., with laundering one contribution to a candidate for City Council. The CEC imposed and collected a fine of \$3,300.

In each case, as appropriate, the CEC proceeded, under Charter § 312 L to require the recipients of the laundered contributions to return the illegal contributions to the City's General Fund. The Office of the City Attorney has advised, however, that the Ethics Commission may apply the repayment provisions of Section 312 L only to funds which remained in the campaign account which received the laundered contributions. To date, \$16,143 has been re-paid to the City.

Whistle Blower/Complaint Program.

The Enforcement Division receives and acts upon numerous complaints each year. The Commission maintains a 24-hour, toll-free telephone hotline that public and City employees may use to provide information of alleged misconduct or wrongdoing by elected and appointed officials without fear of retaliation or risk of exposure. The Governmental Ethics Ordinance specifically prohibits retaliation or reprisal actions against complainants and whistleblowers who provide information to the Commission.

The Commission also receives complaints through the mail or in person. To date, the most commonly received complaints have been in the following general categories:

- misuse or waste of City funds, time, equipment, or property;
- alleged violations of law pertaining to gifts, travel, hono-

aria, and outside earned income;

- "revolving door" issues, relating to lobbying activities of former City officials;
- abuse of authority or position, including matters concerning bids, contracts, and hiring decisions; and
- improper campaign finance and political activities.

The Enforcement staff gathers and reviews all available information and determines what action is appropriate. Appropriate action may include referring the matter to other City departments or providing information and a response to the complainant.

Among the many complaints resolved through the Whistle-blower Program were:

1. Receipt of unauthorized pay by a City employee.

A high-level City employee was found to have authorized and received more than \$88,000 in improper overtime pay during a three-year period. The employee resigned from City service and the matter was referred to the Los Angeles Police Department.

City employees used fictitious social security numbers to receive additional paychecks. After referral to and an investigation by the LAPD, the City Attorney held a hearing on the matter. Misdemeanor charges will be filed against the employees, and restitution will be demanded.

2. Theft of City property by City employees.

A City employee was alleged to be using City resources and supplies for his personal business. The appropriate department investigated and found evidence to support the allegation. The employee admitted the misconduct, and the department recommended that the employee receive a five-day suspension.

A City employee stole City property and stored it in his garage. The incident was investigated by the department and the stolen property was recovered. The department imposed a 20-day suspension.

A City supervisor was frequently armed with a gun and was stealing City supplies. The department investigated the allegations and found them to be substantiated. The employee was forbidden to carry the firearm during City hours, instructed to reimburse the City for the stolen

supplies, and received a notice to correct deficiencies.

3. Misuse of City time.

A City employee often left work early and was unable to be reached. Following an investigation by the department, the employee was found not to be at work when he should have been. The department recommended that the employee receive a 30-day suspension without pay.

A City employee provided gardening services to a citizen on City time using City equipment. The department imposed discipline and terminated the employee.

A City vehicle was parked at a golf course during working hours. The department investigated the compliant and found employee to be playing golf during working hours. The department issued a written notice to correct deficiencies.

A City employee sold various items for personal gain on City property and during work hours. the case was referred to and investigated by the appropriate department. The employee was identified and verbally reprimanded for this action.

4. Political Activities on City Time

The Commission referred to the District Attorney's Office for investigation a complaint that political activities were being conducted on City time. The District Attorney issued a report stating that no impropriety had occurred. A follow-up report by the Commission determined that improprieties did occur for which disciplinary action may be warranted. The report included recommendations for action.

A City Council employee, in violation of City law, received campaign contributions on City property. The employee was reprimanded.

A City employee was distributing campaign literature within City buildings. The matter was investigated by the appropriate department and the campaign materials were removed.

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